

Message Text

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C O N F I D E N T I A L KUWAIT 5378

E.O. 11652 GDS

TAGS: ENRG, KU

SUBJ: GOK RELATIONSHIP WITH AMINOIL AND ARABIAN OIL COMPANY

REF: (A) KUWAIT 4205 (NOTAL, TOKYO) (B) KUWAIT 4826

1. NOW THAT GOK HAS REACHED AGREEMENT WITH GULF AND BP IN CONNECTION WITH GOVERNMENT TAKEOVER OF KUWAIT OIL COMPANY, ATTENTION HAS SHIFTED TO ITS RELATIONSHIPS WITH AMINOIL AND ARABIAN OIL COMPANY (AOC). IN EARLY DECEMBER SHORTLY AFTER KOC AGREEMENT WAS SIGNED LOCAL PRESS QUOTED OIL MINISTER KAZEMI AS INDICATING THAT GOK WOULD NOW CONSIDER NATIONALIZING AMINOIL BUT THAT SPECIAL PROBLEMS EXISTED IN CONNECTION WITH AOC.

2. ACCORDING TO AMINOIL MANAGER LARRY ISON, WHO QUERIED KAZEMI FOLLOWING PRESS STORIES, KAZEMI TOLD HIM GOK HAD NO INTENTION OF NATIONALIZING COMPANY IN NEAR FUTURE. HOWEVER, KAZEMI DID INDICATE THAT AT ONE POINT GOK WOULD REVIEW ITS RELATIONSHIP WITH AMINOIL AND CONSIDER WHAT TO DO. IT IS POSSIBLE, KAZEMI TOLD ISON, THAT PRESENT RELATIONSHIP WITH CHANGE IN TWO OR
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THREE YEARS. ONE POSSIBILITY IS COMPLETE NATIONALIZATION.

3. EMBOFF ASKED WHETHER AMINOIL COULD LIVE WITH 100 PER CENT PARTICIPATION AGREEMENT ALONG LINES PRESENT KOC TAKEOVER AGREEMENT. ISON SAID IT COULD DEPENDING ON TERMS OF AGREEMENT. THEY WOULD HAVE TO BE BETTER THAN THOSE ACHIEVED BY GULF AND BP, HOWEVER, HE SAID.

4. KAZEMI'S STATEMENTS REPORTED IN PRESS RE AOC CLOSELY PARALLEL THOSE MADE TO EMBOFF SHORTLY BEFORE BY LOCAL AOC REP (REF B). KAZEMI NOTED THAT AOC'S OFF-SHORE OPERATION WAS CONSIDERABLY MORE COMPLICATED TO RUN THAN KOC'S ON-SHORE FIELDS. MOREOVER, JOINT OWNERSHIP OF SAG ADDED A COMPLICATING FACTOR. AS REPORTED REF B PARTICIPATION DISCUSSIONS BETWEEN GOK AND AOC ARE FURTHER ALONG THAN BETWEEN SAG AND AOC, AND IN GENERAL ARE PRESENTLY IN A STATE OF LIMBO.

5. COMMENT: GOK COULD MOVE TO TAKEOVER AMINOIL OR AOC IF PARLIAMENTARY PRESSURE EXISTS, BUT IT IS DOUBTFUL THAT STRONG PRESSURE TO DO SO WILL BE MOUNTED. ON BALANCE WE THINK GOK WILL WANT TO KEEP OPTION AVAILABLE BUT THAT IT HAS NO GREAT DESIRE TO TAKE SMALLER COMPANIES OVER AT LEAST IN NEAR FUTURE. ONE REASON IS THAT GOK ALREADY IS SORELY PRESSED TO MANAGE EXPANDING OPERATIONS OF KNPC AND OTHER LOCAL ACTIVITIES AS WELL AS NEWLY NATIONALIZED KOC. IT SIMPLY LACKS ADEQUATE MANPOWER ALSO TO RUN AMINOIL AND AOC. IN ADDITION TAKEOVER OF EACH COMPANY PROBABLY INEVITABLY WOULD INVOLVE SAG. FYI SAUDI CONCESSION HOLDER GETTY OIL COMPANY SHARES PRODUCTION WITH AMINOIL OF NEUTRAL ZONE WAFRA FIELD. END FYI. MOREOVER, CURRENT EXPLORATION ACTIVITY OF AMINOIL AND MARKETING PROBLEMS OF BOTH AMINOIL AND AOC FURTHER COMPLICATE OVERALL SCENARIO. THEREFORE, WE THINK KAZEMI'S REMARKS TO ISON RE AMINOIL, WHICH PRESENTLY REMAINS 100 PER CENT AMERICAN OWNED AND WHICH NOW REPRESENTS LARGEST US INVESTMENT HERE, CAN BE TAKEN AS AUTHORITATIVE STATEMENT OF PRESENT GOK ATTITUDE. ON BALANCE, UNLESS STRONG PARLIAMENTARY PRESSURE DEVELOPS UNEXPECTEDLY, WE DO NOT ENVISAGE SERIOUS MOVE BY GOK TO TAKEOVER AMINOIL OR AOC IN NEAR FUTURE. STOLTZFUS

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